

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Order No.: ATL-2005- 14

SOUTHBANK, A Federal Savings Bank)
Palm Beach Gardens, Florida)

Date: **June 15, 2005**

OTS Docket No.: 11351)

**STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF**

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding for affirmative relief against SOUTHBANK, A Federal Savings Bank, Palm Beach Gardens, Florida, OTS Docket No. 11351 (SOUTHBANK-FL or Bank) pursuant to Section 8(b) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1818(b),¹ and

WHEREAS, SOUTHBANK-FL is cooperating with the OTS and desires to avoid the time and expense of such administrative proceeding, and

WHEREAS, SOUTHBANK-FL enters into this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation) (i) without any adjudication on the merits; (ii) without admitting or denying that grounds exist to initiate an administrative cease and desist proceeding; (iii) without admitting or denying the Findings of Fact, except as to

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

Jurisdiction (Paragraph 1 below), which jurisdiction is admitted; and (iv) solely for the purpose of settling this matter in accordance with Rule 408 of the Federal Rules of Evidence and equivalent state provisions.

NOW, THEREFORE, on these premises, SOUTHBANK-FL hereby stipulates and agrees as follows:

1. Jurisdiction

a. SOUTHBANK-FL is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1462(4). Accordingly, SOUTHBANK-FL is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).

b. Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal banking agency" with jurisdiction to maintain an administrative cease and desist proceeding against such a savings association. Therefore, the Bank is subject to the jurisdiction of the OTS to initiate and maintain this proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). The Director of the OTS has delegated to the Regional Director of the Southeast Region of the OTS or his/her designee (Regional Director) the authority to issue cease and desist orders where the savings association has consented to the issuance of the orders.

2. OTS Findings of Fact

a. The OTS finds that the Bank has engaged in certain unsafe and unsound practices and violated various laws and regulations to which the Bank is subject, as outlined in detail in the OTS's May 27, 2004 Report of Examination of SOUTHBANK-FL (2004

Examination). Such violations include violations of 12 C.F.R. Part 215, and 12 C.F.R. § 563.43, § 563.160, and § 563.170 of the OTS regulations.

b. Reporting and recordkeeping weaknesses at SOUTHBANK-FL existed with respect to: (i) Board meeting minutes; (ii) records regarding compliance with applicable qualified thrift lender requirements; and (iii) agreements respecting purchases of loan participations.

c. During a five-month period in 2004, the Board has failed to hold and conduct regular monthly meetings to oversee the management and operations of the Bank.

d. The Bank failed to comply with limitations and restrictions on loans to insiders.

e. The Bank has failed to review and ensure that all transactions by the Bank with its sister thrift, SOUTHBANK, a FSB, Huntsville, Alabama (SOUTHBANK-AL), comply with limitations and restrictions on transactions with affiliates and do not present any safety and soundness concerns.

f. The Bank has failed to maintain an adequate separate corporate existence from its sister thrift, SOUTHBANK-AL.

g. The Board of Directors and Management of SOUTHBANK-FL has and is continuing to cooperate with the OTS to address and correct the violations, deficiencies, and unsafe or unsound practices detailed in the 2004 Examination.

3. Consent

SOUTHBANK-FL consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist for Affirmative Relief (Order). The Bank further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality

The Order is issued under 12 U.S.C. §§ 1818(b). Upon its issuance by the Regional Director, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers

SOUTHBANK-FL waives the following:

- a. the right to be served with any written notice of the OTS's charges against it as provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b);
- b. the right to an administrative hearing of the OTS's charges against it as provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b);
- c. the right to seek judicial review of the Order including, without limitation, any such right provided by Sections 8(h) or (i) of the FDIA, 12 U.S.C. §§ 1818(h) and (i), or otherwise to challenge the validity of the Order;
- d. any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and
- e. the right to assert this proceeding, its consent to issuance of the Order, and/or the issuance of the Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. Other Governmental Actions Not Affected

- a. Upon the OTS's issuance of the accompanying Order, following the OTS's

acceptance of this Stipulation executed by the Bank, OTS does release and discharge SOUTHBANK-AL from all potential claims and charges that have been or might have been asserted by the OTS, based on the alleged violations described in the Findings of Fact set forth in Paragraph 2 of this Stipulation, to the extent known to the OTS as of the effective date of the accompanying Order. However, the violations alleged above in Paragraph 2 of this Stipulation may be utilized by the OTS in future enforcement actions to establish a pattern or practice of violations or the continuation of a pattern or practice of violations. This release shall not preclude or affect any right of the OTS to determine and ensure compliance with the terms and provisions of this Stipulation and the accompanying Order.

b. SOUTHBANK-AL acknowledges and agrees that its consent to the issuance of the accompanying Order is solely for the purpose of resolving certain potential OTS administrative enforcement charges as provided by Paragraph 6(a) above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, liability, or other administrative, civil, or criminal proceeding that arise pursuant to this action or otherwise, and that may be or have been brought by another governmental entity.

7. Reservation of Rights

SOUTHBANK-FL acknowledges that the OTS reserves the right to bring such additional action(s), charge(s), or proceeding(s) arising from or related in any way to the Findings of Fact or any other matter, as the OTS deems appropriate, in its sole discretion.

8. Agreement for Continuing Cooperation

SOUTHBANK-FL agrees that, on reasonable notice and without service of a subpoena, it

will promptly respond to any written request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with the Order. SOUTHBANK-FL agrees to cooperate with the OTS or any other federal agency in any review requested by the OTS or any other federal government agency, or in any investigation, litigation, or other proceeding relating to SOUTHBANK-FL, its holding company, subsidiaries, service corporations, or institution-affiliated parties.

9. Miscellaneous

- a. The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America.
- b. If any provision of this Stipulation and the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.
- c. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.
- d. The section and paragraph headings in this Stipulation and the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Order.
- e. The terms of this Stipulation and the Order represent the final agreement of the parties with respect to the subject matters hereof and constitute the sole agreement of the parties with respect to such subject matters.
- f. This Stipulation and the Order shall remain in effect until terminated, modified, or

10. Signature of Directors

WHEREFORE, SOUTHBank-FL, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief intending to be legally bound hereby.

OFFICE OF THRIFT SUPERVISION

/S/

John E. Ryan
Regional Director

Dated: **June 15, 2005**

Director

/S/

Director

suspended in writing by the OTS, acting through its Director, Deputy Director, Regional Director, or other authorized representative.

10. Signature of Directors

Each Director signing this Stipulation attests that he/she voted in favor of a resolution authorizing the execution of the Stipulation.

WHEREFORE, SOUTHBank-FL, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief intending to be legally bound hereby.

SOUTHBank, a FSB
Palm Beach Gardens, Florida
Accepted by a majority of its directors:

OFFICE OF THRIFT SUPERVISION

By: _____
Director

/S/

John E. Ryan
Regional Director

Director

Dated: June 15, 2005

/S/

Director

Director

Director

10. Signature of Directors

WHEREFORE, SOUTHBank-FL, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief intending to be legally bound hereby.

OFFICE OF THRIFT SUPERVISION

/S/

Director

Dated: June 15, 2005

/S/

Director

/S/

Director

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

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Order No.: ATL-2005-14

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SOUTHBANK, A Federal Savings Bank)
Palm Beach Gardens, Florida)

Date: **June 15, 2005**

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OTS Docket No.: 11351)
_____)

CONSENT ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, SOUTHBANK, A Federal Savings Bank, Palm Beach Gardens, Florida, OTS Docket No. 11351 (SOUTHBANK-FL or Bank), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation); and

WHEREAS, SOUTHBANK-FL, by executing the Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (Order) by the Office of Thrift Supervision (OTS), pursuant to Section 8(b) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1818(b)¹; and

WHEREAS, the Director of the OTS has delegated to the Regional Directors of the OTS the authority to issue consent orders on behalf of the OTS pursuant to provisions of Section 8 of the FDIA, 12 U.S.C. § 1818; and

¹ All references to the United States Code (U.S.C.) are as amended.

WHEREAS, the Board and Management of SOUTHBank-FL has and is continuing to cooperate with the OTS to address and correct the violations, deficiencies, and unsafe or unsound practices detailed in the OTS's May 27, 2004 Report of Examination of the Bank (2004 Examination).

NOW, THEREFORE, IT IS ORDERED THAT:

Future Compliance With Specific Statutes and Regulations

1. The Bank and its directors, officers, employees, and agents shall not take any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any violation of:
 - a. the OTS regulations regarding conflicts of interest set forth at 12 C.F.R. § 563.200;
 - b. the regulations governing loans to officers, directors and principal shareholders (Insiders) set forth in 12 C.F.R. Part 215 (Regulation O) and 12 C.F.R. § 563.43;
 - c. the OTS regulations regarding the establishment and maintenance of records set forth in 12 C.F.R. § 563.170; and
 - d. the regulations governing transactions with affiliates set forth in 12 C.F.R. Part 223 (Regulation W) and 12 C.F.R. § 563.41.

Management Oversight Committee

2. Effective immediately, the Board shall convene its recently established Management Oversight Committee comprised of three independent directors² (Oversight Committee) to review, monitor and provide prior written approval of all Management proposals with respect to (a) transactions involving Insiders, including (i) loans or other extensions of credit (which shall include any overdrafts) to Insiders or companies controlled by Insiders, (ii) loans or other extensions of credit to family members of Insiders or companies controlled by family members

² An 'independent' director is a director who is not an individual serving as a member of Management or Chairman of the Board of (i) SOUTHBank-FL; (ii) SOUTHBank-AL; or (iii) and affiliate or subsidiary of either (i) or (ii).

of Insiders, and (iii) payments to or contracts with companies controlled by Insiders or their family members; (b) any transactions involving affiliates of SOUTHBANK-FL or its sister bank, SOUTHBANK, FSB, Huntsville, Alabama, OTS Docket No. 8854 (SOUTHBANK-AL); or (c) any bonuses, salary increases, and/or employment contracts paid to or entered into with any Insider.

Transactions with Insiders and Affiliates

3. Effective immediately, the Bank shall not engage in any transaction with any affiliate, including SOUTHBANK-AL, except upon the prior written approval of the Regional Director. The Bank's request for the Regional Director's approval of a proposed transaction with an affiliate under this Paragraph 3 shall include copies of all relevant documentation regarding such transaction, including copies of the Board meeting minutes reflecting the Board's review, discussion and approval of the transaction, including any information prepared and presented to the Board regarding the transaction.

4. Within sixty (60) days after the Effective Date of this Order, the Board shall review and amend the Bank's policies and procedures governing transactions with Insiders to strengthen and ensure the Bank's compliance with the requirements of Regulation O (Insider Policy). The Insider Policy amended and adopted by the Board shall specifically include all requirements and prohibitions detailed in 12 C.F.R. § 215 and shall require that, prior to considering any transaction covered by Regulation O, the Board obtain current, accurate, complete and detailed financial information from each Insider involved in the transaction.

5. Within sixty (60) days after the Effective Date of this Order, the Board shall review and amend as necessary the Bank's policies and procedures governing transactions with affiliates, as defined in 12 C.F.R. § 563.43, to strengthen and ensure the Bank's compliance with the requirements of Regulation W and 12 C.F.R. § 563.43 (TWA Policy). The amended TWA Policy adopted by the Board shall specifically require prior Board review and approval of all transactions with affiliates, including transactions between the Bank and its sister savings association, SOUTHBANK-AL. The Board shall ensure that all transactions with affiliates and

SOUTHBANK-AL comply with the requirements of Regulation W, the Bank's TWA Policy, and Paragraph 3 of this Order.

6. Effective immediately, the Bank shall not allow any of its assets to be pledged in any way as collateral for any loan or advance from any Federal Home Loan Bank, or any other lender or creditor, to SOUTHBANK-AL or any other affiliate.

7. The Bank shall not exceed the \$100,000 limit on deposits currently maintained at SOUTHBANK-AL without the prior written approval of the Regional Director. The Bank's request for the Regional Director's approval of a proposed deposit with SOUTHBANK-AL that exceeds the limits established by this Paragraph 7 shall include copies of all relevant documentation regarding such transaction, including copies of the Board meeting minutes reflecting the Board's review and approval of the transaction.

Corporate Governance and Board Oversight

8. Within thirty (30) days after the Effective Date of this Order, the Bank shall actively seek new, qualified members for the Board of Directors (Board), who are not members of (i) Management (defined herein as the officers of the Bank, as the term "Officer" is defined at 12 C.F.R. §561.35); (ii) the Board of Directors of Commonwealth Savingsshares Corporation, Huntsville, Alabama, OTS Docket No. H-1838 (Commonwealth or Holding Company); (iii) the Board of Directors of SOUTHBANK-AL; or (iv) the Board of Directors of any affiliate or subsidiary of Commonwealth or SOUTHBANK-AL; and who are not deemed to be acting in concert (as that term is defined in 12 C.F.R. Part 574) with current members of the Board or Management or the Board of Directors or Management of (ii) or (iii) above. The Board shall use its best efforts to select new Board members who are local residents of the Bank's market area. The Bank shall ensure that all of the Board's committees include representation of the new Board members. The minutes of the meetings of the Board shall fully document these efforts.

9. Within thirty (30) days after the Effective Date of this Order, the Board shall review its existing organizational structure and develop, adopt, and implement policies and procedures

establishing clear lines of authority, responsibility and reporting (Organizational Plan). The Board shall ensure that the authority, responsibilities and reporting requirements of each position are clearly defined and communicated to each employee. Within ninety (90) days after the Effective Date of this Order, the Board shall establish a strategic plan with specific goals and objectives for all activities and operations of the Bank (Strategic Plan).

10. Effective immediately, the Board shall conduct regular monthly Board meetings and ensure that all major policy decisions and transactions, which shall include (i) the execution of any new employment contracts; (ii) conduct of new activities; or (iii) the leasing of any new office space or increase in existing office space or other fixed assets (costing in excess of \$15,000), are presented to the Board for review and approval. The Board's Regulatory Compliance Committee, as defined in Paragraph 22 below, shall require Management to provide complete and accurate reports and other information to the Board and to each Board Committee in a timely manner to allow sufficient discussion and review by the Board members. The Board shall ensure that accurate, complete and detailed minutes of all Board and Board Committee meetings are prepared and maintained in the records of SOUTHBANK-FL. Copies of any reports to the Board or Board Committees shall be retained with the appropriate Board minutes reflecting the review and discussion of such reports. The Board shall appoint one independent member, as defined at footnote 2 herein, to be responsible for reviewing and certifying the accuracy and completeness of the minutes of each of the Board meetings. Each Board Committee shall appoint one independent member, as defined at footnote 2 herein, who shall be responsible for reviewing and certifying the accuracy and completeness of the minutes of each Board Committee meeting. The same independent director may be appointed for multiple Board Committees.

11. Effective immediately, the Board shall require Management to submit the Bank's quarterly Thrift Financial Reports (TFRs) to the Board for review and certification prior to filing such reports with the OTS. The Board's Regulatory Compliance Committee, as defined in Paragraph 22 below, shall review and execute the required Officers and Directors Certification required by this Paragraph 11.

Strategic Business Plan

12. Within sixty (60) days after the Effective Date of this Order, the Board shall develop, adopt and submit to the Regional Director for review a comprehensive three year strategic business plan (Business Plan) for the Bank that covers the second half of calendar year 2005, calendar years 2006 and 2007, and the first half of calendar year 2008. The Board shall review the Business Plan on at least an annual basis and make such amendments as are necessary in consideration of the Bank's performance under the prior year of the Business Plan. The Bank's Business Plan shall, at a minimum:

- a. detail the specific goals and objectives of the Bank;
- b. clearly, accurately and completely describe the Bank's current operations and lines of business, including a comprehensive assessment of the risks presented by each major operation and line of business and include a detailed breakdown of the costs of income production of each major operation and line of business to determine the profitability of each;
- c. discuss the resource needs (personnel, capital, fixed assets, etc.) of each operation and line of business, including the resources currently available to and employed by each operation and line of business;
- d. consider the human resource needs and Staffing and Training Plans adopted by the Board pursuant to Paragraph 14 below;
- e. clearly, accurately and completely describe and discuss the intended operations and major lines of business that the Bank plans to pursue in the future, including any off balance sheet activities or other new activities, and identifying the target markets that will be served by such existing or intended operations or lines of businesses;
- f. discuss the financial and fixed asset resources that will be needed and required by increases in existing operations and lines of business or any new operations and lines of business and the Board's plans and strategies for ensuring the availability of such

resources, including the maintenance of capital sufficient to maintain well capitalized status and adequately support the risk profile of the Bank;

- g. detail the Bank's operating strategies for each operation and line of business, including quarterly pro forma financial statements and the identification of all relevant assumptions for the period covered by the Business Plan, e.g., projected interest rates, loan delinquency rates, sources and uses of funds, cash flows, etc.;
- h. specify and discuss the Board's strategies for improving the Bank's core earnings and profitability, including how the target markets identified in subparagraph e above will be served profitably by the operations or lines of business offered or to be offered by the Bank;
- i. include an annual budget, approved by the Board, that is consistent with the quarterly pro forma financial statements required by subparagraph g above; and
- j. include a discussion and assessment of the impact of any material outstanding litigation or lawsuits to which the Bank is a party.

13. Any major new activity, operation or line of business shall require the prior review and approval of the Board. Management shall prepare quarterly variance reports on the Bank's compliance with the Business Plan within thirty (30) days after the close of each calendar quarter, beginning with the calendar quarter ending December 31, 2005. Such variance reports shall detail actual operating results versus projected results and shall include an explanation of any material deviation from the Business Plan and a specific description of the measures that have been implemented, proposed or are under consideration to correct any material deviation. The Board shall review the variance reports on a quarterly basis, no later than thirty (30) days after the end of each calendar quarter, to monitor the Bank's compliance with the terms of the Business Plan. The Board's review shall be fully documented in the Board meeting minutes. A deviation shall be considered material under this Paragraph 13 when:

- a. the Bank engages in any activity that is inconsistent with the Business Plan; or
- b. the Bank exceeds the level of any activity contemplated in the Business Plan or fails to meet target amounts established in the Business Plan by more than 10%, unless the

activity involves assets risk weighted 50% or less, in which case a variance of more than 25% shall be deemed to be a material deviation.

14. Within sixty (60) days after the Effective Date of this Order, the Board shall conduct a review of the Bank's existing personnel and determine the Bank's current and future staffing needs based upon the Bank's current and projected operations under the Business Plan adopted pursuant to Paragraph 12 above. Within ninety (90) days after the Effective Date of this Order, the Board shall prepare, adopt and implement a staffing plan, including plans for retaining qualified and experienced personnel and a management succession plan, to strengthen and improve the Bank's Management and operations and designed to meet the Bank's future needs (Staffing Plan). The Staffing Plan shall include a training plan to ensure that employees receive the necessary training based upon their respective positions and responsibilities (Training Plan). The Training Plan shall require mandatory attendance, specify the frequency of training, and include procedures and timeframes for updating training programs and materials and the method for delivering training. The Bank shall maintain adequate documentation and records of all training attended by each employee.

Policies and Procedures

15. Within ninety (90) days after the Effective Date of this Order, the Board shall review and revise as necessary all the Bank policies and procedures (Policies) to ensure that such Policies (i) are consistent with all applicable laws, regulations, and OTS guidance; (ii) are appropriate and adequate for the Bank's size, complexity and expertise; (iii) consider the Business Plan adopted by the Board pursuant to Paragraph 12 above; (iv) consider the Bank's operations, asset-liability structure, capital, staffing, and product mix; and (v) such other matters as would be appropriate to ensure the safe and sound operation of the Bank. The Board shall adopt and require Management to implement the Policies at the next regular Board meeting following preparation of the revised Policies.

Allowance for Loan and Lease Losses

16. Within sixty (60) days after the Effective Date of this Order, the Board shall develop, adopt, and implement policies and procedures for assessing, establishing and maintaining an appropriate Allowance for Loan and Lease Losses (ALLL) in accordance with OTS regulatory guidance, including 12 C.F.R. § 560.160(b), Section 261 of the Thrift Activities Handbook (TAH), and the December 21, 1993 Interagency Policy Statement on ALLL (ALLL Policy). The ALLL Policy also shall address all deficiencies and considerations noted in the 2004 Examination.

17. The Board shall review the sufficiency of the ALLL at least once each calendar quarter, beginning with the calendar quarter ending September 30, 2005. Any deficiency in the ALLL shall be cured in the quarter in which it is discovered, before the Bank files its TFR with the OTS. The Board shall document the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL in the appropriate Board meeting minutes.

Subsidiaries and New Activities

18. Effective immediately, the Bank shall not (i) establish any new subsidiary, whether as a service corporation or operating subsidiary; or (ii) engage in any new activity or materially increase the level of any existing activity in any existing subsidiary, except upon receipt of the prior written approval of the Regional Director. The Bank's request to establish a new subsidiary, engage in any new activity or materially increase an existing activity shall include all information required by 12 C.F.R. § 362.15 and shall include the Board meeting minutes reflecting the Board's review and approval, along with such information as prepared for and presented to the Board for consideration.

Liquidity

19. Within sixty (60) days after the Effective Date of this Order, the Board shall prepare and adopt a liquidity policy that complies with the requirements of OTS Thrift Bulletin (TB) 77 (Liquidity Policy). The Liquidity Policy shall include comprehensive reporting requirements involving both short-term and long-term analysis of liquidity and cash flow (into and out of the Bank). The Liquidity Policy also shall, at a minimum, address all deficiencies and considerations noted in the 2004 Examination.

Interest Rate Risk

20. Within sixty (60) days after the Effective Date of this Order, the Board shall review and amend as necessary the Bank's policies and procedures governing the Bank's interest rate risk policies to ensure that the review process is clearly and accurately described therein, including any required reports and to whom such reports must be provided for review (IRR Policy).

21. Effective immediately, the Board shall ensure that the Bank's interest rate risk is reviewed on quarterly basis. Beginning with the calendar quarter ending September 30, 2005, the Board shall require Management to submit quarterly reports to the Board within thirty (30) days after the end of each calendar quarter regarding the Bank's interest rate risk and compliance during the immediately preceding calendar quarter with the IRR Policy (Quarterly IRR Report). Within sixty (60) days after the end of each calendar quarter, the Board shall review the Quarterly IRR Report for the immediately preceding calendar quarter and adopt specific corrective actions as are necessary and appropriate. The Board's review of each Quarterly IRR Report and the corrective actions adopted as a result shall be documented in the minutes of the appropriate Board meeting.

Board Compliance Committee

22. The Board has appointed a Regulatory Compliance Committee comprised of three or more Directors, the majority of whom shall be independent, as defined at footnote 2 herein, to monitor and coordinate the Bank's compliance with the provisions of this Order and the completion of all corrective action required in the 2004 Examination. Within thirty (30) days after the Effective Date of this Order, the Board shall notify the Regional Director in writing the identity of the members of the Regulatory Compliance Committee and the Oversight Committee referenced in Paragraph 2 above.

23. Within thirty (30) days after the Effective Date of this Order, and thereafter within thirty (30) days after the end of each calendar quarter, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this Order and the actions required by the 2004 Examination, as well as the results of those actions.

24. Within sixty (60) days after the Effective Date of this Order, and thereafter within sixty (60) days after the end of each calendar quarter, the Board shall submit to the Regional Director: (i) a copy of the Regulatory Compliance Committee's quarterly progress report required by the foregoing Paragraph 23, with any additional comments made by the Board, to the Regional Director; and (ii) a written certification that each Director has reviewed the report.

Compliance With Order

25. The Board shall take all steps necessary to ensure that all policies, procedures, corrective actions, plans, including the Business Plan detailed in Paragraph 12 above, programs, reviews and systems required by each of the Paragraphs of this Order (collectively, Policies and Procedures) shall conform to all applicable statutes, regulations, OTS policy and guidance and shall be implemented and thereafter fully adhered to by Management and staff of the Bank. The Board shall submit copies of all Policies and Procedures required by this Order to the Regional

Director within ten (10) days after adoption by the Board. The Board shall revise such Policies and Procedures as required by the Regional Director within thirty (30) days of receipt of written direction from the Regional Director. The Policies and Procedures, as modified consistent with the written direction of the Regional Director, shall be incorporated into this Order and any deviation from such Policies and Procedures shall be a violation of this Order.

Definitions

26. All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act (HOLA), the FDIA, OTS Memoranda or other published OTS guidance. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, the HOLA, the FDIA, or OTS Memoranda/guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance, Amendments

27. Reference in this Order to provisions of statutes, regulations, OTS Memoranda, and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

No Violations Authorized; OTS Not Restricted

28. Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law including, without limitation, any type of supervisory, enforcement or other action that the OTS determines to be appropriate, arising out of matters described in the most recent Report of Examination, or based on other matters.

Time Limits; Effect of Headings; Separability Clause; Stipulation Incorporated

29. Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted.

30. The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

31. In case any provision in this Order is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

32. The Stipulation is made a part hereof and is incorporated herein by this reference.

Effective Date; Duration

33. This Order is and shall become effective on the date it is issued, i.e., the Effective Date as shown on the first page hereof. This Order (including the related Stipulation) shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: John E. Ryan
Regional Director